CANADA PENSION PLAN

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Retirement Pension

Human Resources Development Canada
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Introduction

The Canada Pension Plan (CPP), which began in 1966, provides basic benefits when a contributor to the Plan becomes disabled or retires; and, at the contributor's death, the Plan provides survivor benefits.

Section One of this booklet describes the CPP retirement pension.

Section Two contains overall information on the Canada Pension Plan itself.

Please note that the information contained in this booklet is general only and reflects the CPP as of January 1998. When questions arise, CPP legislation must govern.

For more information about the Canada Pension Plan, please call free of charge:

1 800 277-9914 English

1 800 277-9915 French

If you have a hearing or speech impairment and you use a TDD/TTY device, please call:

1 800 255-4786

For faster telephone service call Tuesday to Friday during the middle weeks of the month. Please have your social insurance number (SIN) ready.

CPP Retirement Pension

1 What is a CPP retirement pension?

The CPP retirement pension is a monthly payment to people who have contributed to the Canada Pension Plan or both CPP and QPP (Quebec Pension Plan) and live outside the province of Quebec and who are at least 60 years of age. The pension is designed to replace about 25 per cent of the earnings on which you paid into the Plan. *(For information on how much you pay into the Plan, see page 16.)*

2 How do I qualify for a retirement pension?

You are eligible for a CPP retirement pension if you have made at least one valid contribution (payment) to the Plan and:

- you are at least 65 years of age; or
- you are between the ages of 60 and 64 and have substantially or completely stopped working.

Your retirement pension is **not** started automatically. **You must apply for it** (unless you are already receiving a CPP disability pension and are 65 years of age).

3 *If I am between the ages of 60 and 64, how do I prove that I have "substantially ceased working"?*

If you earn less than the maximum CPP retirement pension (or about 25 per cent of the average wage in Canada), the CPP considers that you have substantially stopped working. In 1998, this means earning less than $744.79 per month, or $8,937 per year.

There is a question on the application that asks if you have substantially or completely stopped working, and CPP may check the information you supply.

Once you qualify for a pension, you can continue to receive it even if you decide to return to work. However, you cannot contribute to the CPP on any future earnings.

4 *How does the CPP calculate my retirement pension?*

Your retirement pension is based on how much, and for how long, you contributed to the Plan or to both CPP and QPP if you are a "dual" contributor. It also depends on the age at which you choose to retire.

The CPP protects your pension by making certain adjustments before calculating 25 per cent of the earnings on which you contributed, over your career. For example, the growth in wages in Canada, up to the time your pension starts, is taken into account. And some low-earning periods during your career are

"dropped out" *(see pages 18-19)*, which increases the amount of your pension.

For disability beneficiaries, the conversion to a retirement pension is based on the YMPE at the time the disability began, with adjustments to price increases to retirement. The pension is indexed to the Consumer Price Index.

In 1997, the **average** CPP retirement pension taken at age 65 was $415.15 per month. The **maximum** for that year was $736.81 per month.

5 *How does my age affect the amount of my pension?*

Your pension would **normally** be payable the month after your 65th birthday. The amount of the pension is smaller if you take it before that point, and larger if you take it after. This "flexible" retirement pension can be adjusted to age 60 at the earliest or age 70 at the latest.

The amount of the pension is adjusted by 0.5 per cent for each month that you start your pension before or after your 65th birthday. The adjustment is permanent. This means that if you choose to take your pension **before** age 65, it will not be recalculated when you reach age 65.

Here are two examples. If you start your pension at age 60, your monthly payment will be 30 per cent **lower** than if you wait to age 65, but by starting it sooner, you are likely to get the pension for a longer period of time. If you start your pension at age 70, your monthly payment will be 30 per cent higher than if you took it at age 65.

6 *How do I decide when to take my retirement pension?*

It depends on your circumstances. When you choose to begin receiving your pension could depend on:

- whether or not you are still earning and contributing to the Plan;
- how long you have contributed;
- how much your earnings were;
- your other retirement income;
- your health; **and**
- your retirement plans.

The decision is yours.

7 *Can I get an estimate of my retirement pension before I decide to apply?*

Yes. For an estimate of your CPP retirement pension, check your Statement of Contributions *(see page 20)*, or contact Human Resources Development Canada.

The closer you are to the date on which you want to begin your pension, the more accurate the estimate will be.

Applying for Your Retirement Pension

8 When should I apply?

Although it is not required, it helps CPP if you apply about six months before you want your pension to begin.

Note, if you delay in applying, CPP cannot always make back payments to the date you wish your pension to begin. For information on CPP rules, contact Human Resources Development Canada.

9 How do I apply?

You must complete an application. Application kits are available from Human Resources Development Canada. The kit contains the information and instructions you will need to apply. For instance, it tells you what documents you need, such as proof of date of birth. You may ask for a kit or assistance at any time.

10 What happens if an individual dies before applying for a retirement pension?

If a person dies without having applied, a retirement pension cannot necessarily be paid,

but his or her spouse may be eligible for CPP survivor benefits. You should call Human Resources Development Canada for advice. You may also wish to ask for the booklet *"Survivor Benefits – Canada Pension Plan"*.

Receiving Your Retirement Pension

11 When can my pension begin?

Your pension can start the latest of:

- the month **after** your 60th birthday;
- the month you specify on your application;
- the month after CPP receives your application;
- the month after you completely or substantially stop working (if you are under the age of 65).

In some cases the CPP can make back payments of up to 12 months.

12 What if I change my mind after I start receiving my pension?

You can cancel your retirement pension up to six months after it starts, but you must request

the cancellation in writing. You will also have to pay back all the benefits you received, and pay CPP contributions on any earnings you had while you were receiving the pension.

13 Can I receive a disability pension after my retirement pension begins?

You can apply to have your retirement pension replaced by a CPP disability pension if:

- you become disabled (according to CPP legislation) before you reached age 65; **and**
- you became disabled before your retirement pension began.

Any retirement pension payments you have already received may be deducted from your disability pension. For more information on the CPP disability pension, contact Human Resources Development Canada and ask for the booklet *"Disability Benefits – Canada Pension Plan"*.

14 When can I expect my payments each month?

Your CPP retirement payments will usually arrive in the last three banking days of each month. Please see page 22 for information on direct deposit.

15 *When do payments stop?*

The last payment is for the month in which the contributor dies.

Sharing Your Retirement Pension

16 *What does "assignment" mean?*

Assignment, or "pension sharing", is for spouses who are together (not separated or divorced) and who are receiving their CPP retirement pension(s). With assignment, each spouse can receive a portion of the other's pension, if they choose to share in this way. It does not increase or decrease the overall benefits paid.

If only one of you has been a CPP contributor, that one pension can be shared.

Each spouse pays income tax on the amount received.

17

Who is a "spouse"?

For the purpose of the CPP, a "spouse" is a person of the opposite sex with whom you are in a legal or common-law marriage.

A common-law spouse is a person of the opposite sex with whom you have been living in a conjugal (married) relationship for at least one year.

18

How much of our pensions will be shared?

Each of you will receive part of the other's CPP retirement pension. The amounts depend on how long you lived together and on your contributory periods *(see page 18 for an explanation of "contributory period")*.

For example, if you lived together for 20 per cent of both your contributory periods:

- you keep 80 per cent of your pension; and the remaining 20 per cent is divided equally between you and your spouse; **and**
- your spouse keeps 80 per cent of his or her own pension, and the remaining 20 per cent is shared with you.

The combined total amount of the two pensions stays the same.

19 *How can we start sharing our pensions?*

Either of you can apply. Your shared pensions can start as soon as your application for assignment is approved. The sharing arrangements cannot be backdated. Contact Human Resources Development Canada for an application.

20 *When does our pension sharing stop?*

Your pension sharing arrangement stops:

- if you and your spouse ask CPP to end the assignment;
- the 12th month after you separate;
- the month you divorce;
- if one of you has never paid into the CPP (or QPP) and begins contributing; **or**
- the month one of you dies.

21 *What happens to my own retirement pension when a pension sharing arrangement ends?*

You will return to your own pension entitlement, just as if there had been no assignment.

Combining CPP Pensions

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Can I receive another pension from the CPP at the same time as my retirement pension?

Yes, you could receive a survivor pension on the death of your spouse as well as a retirement pension in your own right. The combined benefit comes as one monthly payment.

There is a limit on the combined benefit based on the **maximum** retirement pension which you would receive **if** you were age 65. Depending on your retirement pension, your survivor benefit could be reduced. Contact Human Resources Development Canada for more information.

General Information About the Canada Pension Plan

1 What benefits does the Canada Pension Plan provide?

There are three kinds of Canada Pension Plan benefits:

- **disability benefits** (include pensions for disabled contributors and benefits for their dependent children);
- **retirement pension**; and
- **survivor benefits** (include the death benefit, the surviving spouse's pension and the children's benefit).

The CPP operates throughout Canada, although the province of Quebec has its own similar program, the Quebec Pension Plan (QPP). The CPP and the QPP work together to ensure that all contributors are protected.

2 How is the Canada Pension Plan financed?

The CPP is a "contributory" plan. This means that all costs are covered by the financial contributions paid into the Plan by employees, their employers and self-employed people, and from interest earned on the investment of

that money. The CPP is **not** funded through general tax revenues.

How will CPP investment policy change?

A CPP Investment Board will be formed to operate at arm's length from the federal and provincial governments. The Board will use qualified professionals to invest CPP funds in financial markets. The Board will broadly follow the same investment rules as other pension plans.

It will be accountable to the public and report its investment results regularly.

Will provinces continue to borrow CPP funds?

Provinces will be able to borrow from the CPP. The amount will be limited to the proportion of provincial bonds held by other pension funds. The provinces will pay the same interest rate as they do on their other loans.

Who pays into the CPP?

With very few exceptions, every person in Canada over the age of 18 who earns a salary must pay into the CPP (in Quebec, you pay into the QPP). You and your employer each pay half of the contributions. If you are self-employed, you pay both portions.

You do not make contributions if you are receiving a CPP or QPP disability or retirement pension. At age 70, you stop contributing even if you have not taken your retirement pension.

How much do I pay into the CPP?

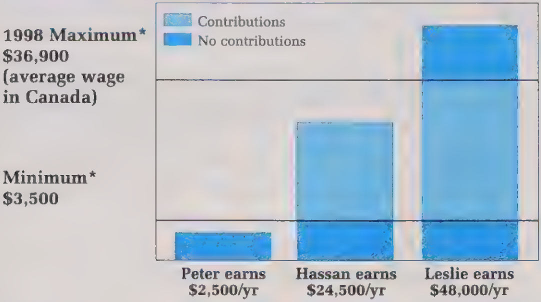
The amount you pay is based on your salary. If you are self-employed, it is based on your net business income (after expenses). You do not contribute on any other source of income, such as investment earnings.

If, during a year, you contributed too much or earned less than a set **minimum** amount, you will receive a refund of contributions at income tax time.

You only pay contributions on your annual earnings between the **minimum** and a set **maximum** level (these are called your "pensionable" earnings).

The minimum level is frozen at $3,500. The maximum level is adjusted each January, based on increases in the average wage.

Contribution Patterns



* *Technically, these are referred to as the Year's Maximum Pensionable Earnings (maximum) and the Year's Basic Exemption (minimum).*

Why are my contributions important?

Your contributions are used to determine if you or your family are eligible for a benefit, and to calculate the monthly amount. Both the length of time and the amount of earnings on which you contribute (up to the maximum each year) are factors. Normally, the more you earn and contribute to the CPP over the years, the higher the benefit will be (when you become entitled) because you will have built up a lot of CPP pension credits.

Your CPP credits can also be affected by "credit splitting" *(see page 21)*.

8 *What is my "contributory period" and how is it used?*

The total span of time during your life when you **may** contribute to the CPP is called your contributory period.* It is used in calculating the amount of any CPP benefit to which you become entitled.

CPP Contributory Period

START | END

Age 18 *or* January 1, 1966 (whichever is later)

CPP Retirement pension *or* Age 70 *or* Death

* ***NOTE:*** *You do not contribute while you are receiving a CPP disability pension. Removing that time from your contributory period protects the calculation of your future benefits.*

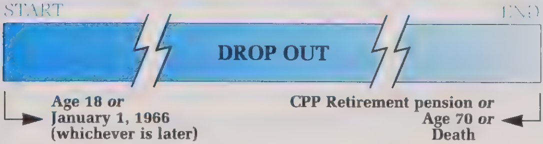
9 *If I had some low-earning years, will that reduce my pension?*

Remember that CPP calculations include both **how much** and **how long** you have contributed.

However, to protect you, some parts of your contributory period can be dropped out of the calculation, such as:

- periods when you stop working or your earnings become lower **while** you are raising your children under the age of seven;
- low earning months **after** the age of 65;
- any month when you were eligible for a CPP disability pension;
- 15 per cent of your lowest earning years in your contributory period.

CPP Contributory Period



Dropping out periods of low earnings will **increase** the amount of your benefit.

10 *How does the CPP keep track of my contributions?*

Since 1966, the CPP has kept a "Record of Earnings" for each person who pays into the CPP and for people who pay into both the CPP and the QPP. The information is supplied through Revenue Canada and Revenu Québec.

It is **important** that you check your T4 slip (the statement of earnings you receive from your employer each year) to make sure that your name and social insurance number (SIN) are the same as on your SIN card. If not, your CPP contributions will not be credited to your CPP account. This could mean not getting benefits to which you are entitled.

If you change your name or lose your social insurance card, you should contact your local Human Resources Canada Centre (HRCC) as soon as possible. The HRCCs are listed in the Government of Canada section of most phone books under Human Resources Development Canada.

11 How do I find out how much I have contributed?

You should automatically receive a Statement of Contributions every few years. However, you can ask for a statement once a year.

Your Statement of Contributions shows, by year, the total amount of your CPP contributions, and your "pensionable" earnings (*see page 16*) on which they are based. It also estimates what your pension or benefit would be if you were eligible now.

Check your statement carefully – particularly your earnings and contributions. You should compare these amounts to any previous T4 (income tax) slips. If you disagree with any of the figures, contact Human Resources Development Canada immediately. It could have an effect on the amount of your future CPP benefits.

12 What are CPP "pension credits"?

CPP keeps a record of your earnings and the contributions you pay on them over the years. These are your "pension credits".

Generally, the more credits you have, the higher your CPP benefits will be.

13 What is "credit splitting"?

When a marriage or common-law relationship ends, the CPP credits built up by the couple, during the time they lived together, can be divided equally between them. Credits can be split even if one spouse did not pay into the CPP.

Credit splitting can affect the CPP entitlements of both former spouses. For more detailed information, contact Human Resources Development Canada and ask for the CPP booklet, *"Credit Splitting upon divorce or separation"*.

For a definition of spouse, see page 11.

14 What happens if I pay into the Quebec Pension Plan (QPP)?

Which Plan you pay into (CPP or QPP) depends on where you work, **not** where you live. If you work in Quebec, you pay into the QPP. If you work in any other province or territory, you pay into the CPP. Depending on where you have worked over the years, you may have paid into **both** plans.

The two plans are very similar but not identical. If you have paid into only one of the plans, you apply to **that** Plan for your pension or benefits.

If you have contributed to both the CPP and the QPP, you apply to the QPP if you are living in Quebec at the time of your application, and to the CPP if you are living anywhere else in Canada.

If you are living outside Canada, you apply according to the last province you lived in.

Regardless of which Plan pays your benefit, the amount will be calculated according to your contributions to both plans and the legislation of the Plan responsible for paying your benefit.

15 *What happens if I lived or worked in another country?*

Canada has agreements with many countries, which can help you get pensions or benefits from **either** country. If you did not live or work long enough in one of these countries to qualify, the time you spent in the other country may be added to meet the requirement.

If you have lived or worked in another country, you should contact Human Resources Development Canada.

16 *Can I have my payments deposited directly to my "bank" account?*

Yes. Direct deposit forms are available from Human Resources Development Canada, as well as many banks, caisses populaires, credit unions and trust companies, or call Human Resources Development Canada *(see page 28)*.

If your payment comes by **cheque**, the cheque will usually arrive during the last three banking days of each month. If you have **direct deposit**, the money will be in your account on the third last banking day of each month.

17 Can I receive my CPP payments outside Canada?

Yes, provided you meet all CPP eligibility conditions. Payments are made anywhere in the world in Canadian dollars. If you live in the United States and have your payment deposited "direct" to a US financial institution, the funds are automatically converted into US dollars.

18 Will I get cost-of-living increases?

Yes. If there is any increase in the cost of living in Canada, your CPP payments will be increased accordingly, in January.

19 What if I am incapable of applying?

If, because of an illness or infirmity, you are incapable of applying for a CPP pension or benefit, your representative can apply on your behalf.

Appealing a Decision

20 What can I do if I do not understand, or I disagree with, a CPP decision that affects me?

If you do not understand a decision, you may ask CPP about it.

If you are dissatisfied with a decision, you can ask CPP to reconsider it. Your request for reconsideration must be made, in writing, within 90 days of receiving the decision. If you are still dissatisfied after reconsideration, you may appeal.

Protecting Your Information

21 Who can see the information on my CPP file?

Your information is protected by Canada Pension Plan legislation, the *Access to Information Act* and the *Privacy Act*. Information may be made available to a federal or provincial institution or a non-governmental organization to administer the CPP. Information may also be made available to specified federal departments or provincial institutions to administer a federal or provincial law, or to foreign institutions under a social security agreement.

22 Can I see the information on my file?

Yes. You can ask to see or have copies of any information about you that is in a federal government file. The Treasury Board publication, "*Info Source: Sources of federal government information*", and the forms to request the information are available in government offices, public libraries and federal constituency offices. If you live outside Canada, these publications may be available at Canadian embassies and consulates.

Taxation and Your CPP Benefits

23 Are my CPP payments taxable?

Yes. CPP payments are taxable income.

If you want, you may have your income tax deducted each month. For more information, contact Human Resources Development Canada.

If you do not request monthly tax deductions, you may have to pay your income tax in quarterly installments. For more information, contact a Revenue Canada Tax Services office.

If you live outside Canada and are not considered to be a Canadian resident for income tax purposes, a non-resident tax is withheld from

your monthly CPP payment. The tax rate is 25 per cent unless reduced or exempted by a tax treaty between Canada and your country of residence. If you have tax-related questions, call Revenue Canada's International Tax Services Office at **1 800 267-3395** (Canada and U.S.A.), **(613) 952-2344** (all other countries), or send a fax to (613) 941-6905. You may also get copies of many Canadian tax forms and publications from your Canadian embassy or consulate.

Early each year, you will receive a T4A(P) slip showing the amount of CPP payments you received during the previous year. This slip is needed to complete your income tax form and must be included with your tax return.

Other Benefits

24 *Are there other benefits for which I may be eligible?*

Yes. If you are over the age of 65, you may be eligible for a pension under the *Old Age Security (OAS) Act*. If you are age 60 to 64, have a low income and are widowed or the spouse of an OAS pensioner, you may qualify for either a Widowed Spouse's Allowance or a Spouse's Allowance. If you have a low or limited income, you may also qualify for the income-tested Guaranteed Income Supplement (GIS).

You may be eligible for benefits under the *War Veterans Allowances (WVA) Act*, administered by Veterans Affairs Canada, Employment Insurance benefits and other types of income assistance and services from your provincial/territorial and municipal governments.

25 *Do my CPP benefits affect the amount I receive from other programs?*

Yes, they may. Income-tested benefits from programs such as War Veterans Allowances, the Guaranteed Income Supplement, the Spouse's Allowance and the Widowed Spouse's Allowance as well as provincial/territorial social assistance ("welfare") will take your CPP income into account. CPP benefits may also affect how much you get from your employer pension or private-sector disability insurance. Most Workers' Compensation programs also take CPP income into account.

Please consult the authorities responsible for such programs for further information.